

Tennessee Board of Paroles

**For the Year Ended
June 30, 1998**

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October 29, 1999

The Honorable Don Sundquist, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

The Honorable Charles M. Traughber, Chairman

Tennessee Board of Paroles

404 James Robertson Parkway

Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Board of Paroles for the year ended June 30, 1998.

We conducted our audit in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Tennessee Board of Paroles' compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Tennessee Board of Paroles is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The board's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the board's internal controls and/or instances of noncompliance to the Tennessee Board of Paroles' management in a separate letter.

Very truly yours,

John G. Morgan

Comptroller of the Treasury

JGM/rm

99/084

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Board of Paroles
For the Year Ended June 30, 1998

AUDIT SCOPE

We have audited the Tennessee Board of Paroles for the period July 1, 1997, through June 30, 1998. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of equipment, annual reports, and fee assessment and collection. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

The Board of Paroles Needs to Strengthen Controls Over Equipment*

The Tennessee Board of Paroles had numerous discrepancies relating to the proper recording of required equipment information on the Property of the State of Tennessee (POST) system (page 4).

The Board Did Not Submit Its Annual Report in a Timely Manner*

The Tennessee Board of Paroles had not submitted the annual report for the fiscal year ended June 30, 1998, to the Governor as of May 25, 1999, more than seven months after the mandated deadline (page 5).

* This finding is repeated from the prior audit.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

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**Audit Report
Tennessee Board of Paroles
For the Year Ended June 30, 1998**

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Tennessee Board of Paroles For the Year Ended June 30, 1998

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Tennessee Board of Paroles. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The mission of the Tennessee Board of Paroles is to protect society by the orderly release of adult felons and to supervise those offenders in such a manner as to promote lawful behavior and to minimize risk to the general public.

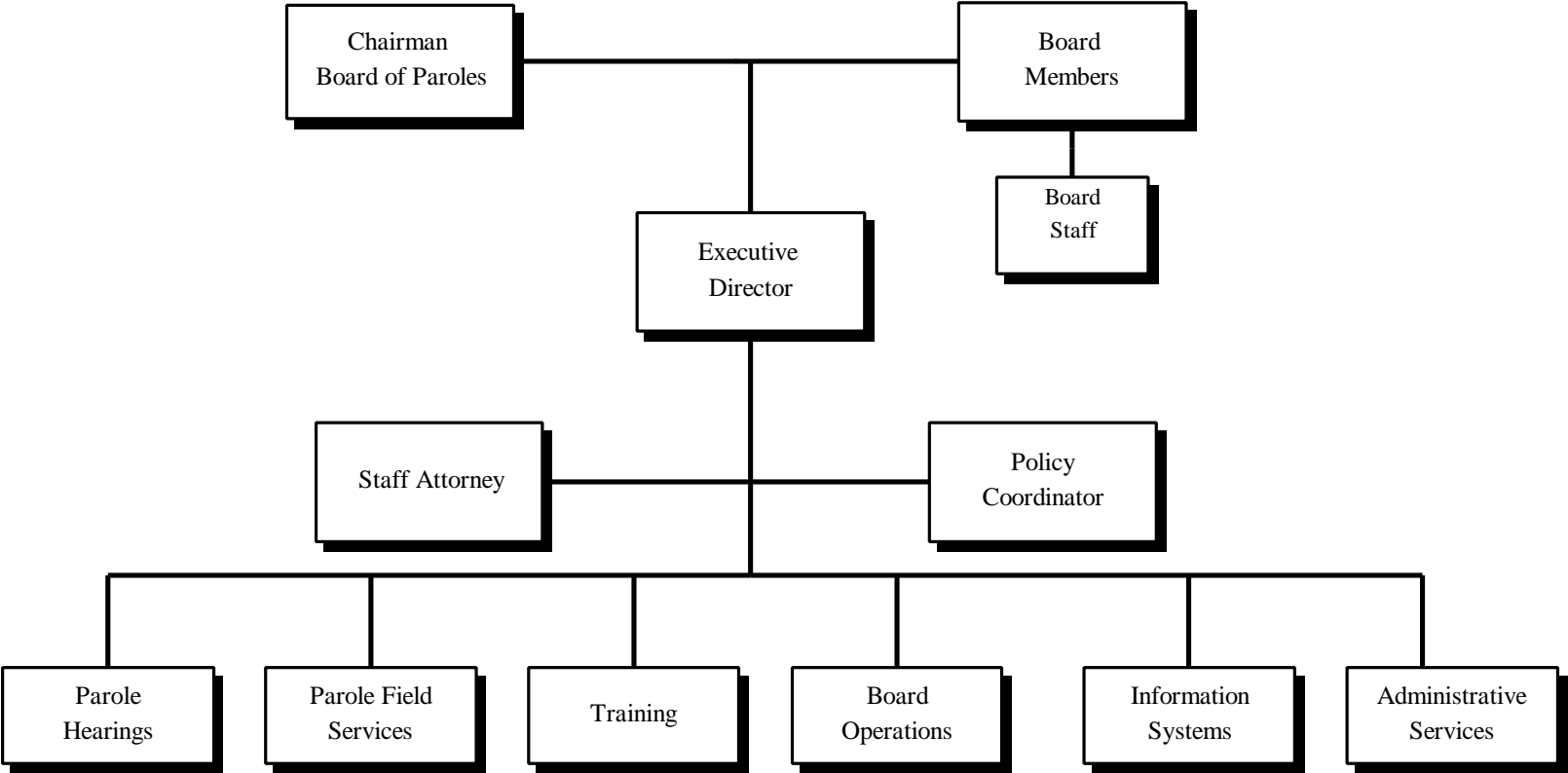
Section 40-28-117 (a) of *Tennessee Code Annotated* declares that parole is a privilege, not a right, and consequently,

No prisoner shall be released on parole merely as a reward for good conduct or efficient performance of duties assigned in prison, but only if the board is of the opinion that there is reasonable probability that such prisoner, if released, will live and remain at liberty without violating the law, and that the prisoner’s release is not incompatible with the welfare of society.

The duties of the Tennessee Board of Paroles are to determine whether to grant parole to felons and to supervise the parolees upon their release.

An organization chart of the board is on the following page.

Tennessee Board of Paroles



AUDIT SCOPE

We have audited the Tennessee Board of Paroles for the period July 1, 1997, through June 30, 1998. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of equipment, annual reports, and fee assessment and collection. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

EQUIPMENT

The objectives of our review of equipment controls and procedures at the Tennessee Board of Paroles were to determine whether

- the board's property listing represented a complete and valid listing of the assets physically on hand,
- equipment was adequately safeguarded, and
- policies and procedures regarding equipment were adequate.

We interviewed key board personnel and reviewed supporting documentation to gain an understanding of the board's equipment procedures and controls. We compared the board's internal policies and procedures with state requirements to determine the adequacy of the board's equipment policies and procedures. A sample of equipment items on the board's internal property listing for the board's central office, Nashville Regional Parole Office, and Chattanooga Regional Parole Office was located and compared to the information recorded on the state's Property of the State of Tennessee (POST) system. An additional sample of items present in the offices was traced to the property listing. In addition, we observed physical security at each of the offices visited.

We determined that the board's equipment policies and procedures are not adequately documented, some equipment items could not be physically located, numerous equipment items are not properly recorded on POST, and the information on POST and the board's internal property listing does not agree in many instances, as discussed in finding 1. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

1. The Board of Paroles needs to strengthen controls over equipment

Finding

As stated in the prior audit, the Board of Paroles needs to strengthen controls over equipment. Management concurred with the prior audit finding and stated that an Agency Lease Management and Property Office position would be created during fiscal year 1998-99 and assigned responsibility for board equipment. This position was filled March 16, 1999.

During the current audit, 64 of the 177 equipment items tested (36.2%) were not in the location specified on the property listing (two items could not be located at all). In addition, the serial numbers on the property listing did not agree with the actual equipment item for 42 of 177 items tested (23.7%).

The Department of General Services' *Annual Inventory Memorandum* stipulates that each agency must identify and tag property assigned to it and prepare the necessary information to establish and update the property records. Failure to properly record equipment weakens accountability for equipment and may result in the loss of equipment.

Recommendation

Management should develop written equipment policies and procedures. Training should be provided for all personnel responsible for equipment records management in Board of Paroles Offices. Management should assign specific responsibility to an employee within each office for equipment accountability. These responsibilities should include conducting a physical inventory of the equipment annually, transferring and surplus equipment, reporting lost or stolen items to ensure that proper procedure are followed, and maintaining the Board of Paroles equipment listing. Employees assigned this responsibility should promptly notify the property officer when changes occur. Upper management should monitor controls over equipment to ensure that all applicable regulations and procedures are followed.

Management's Comment

We concur. The Board received an additional position in Fiscal Services. This position will be used as the Agency Lease Management and Property Officer and will have the overall responsibility for providing closer monitoring of equipment. The Lease Management and Property Officer is in the process of developing and documenting written internal policies and procedures.

The Lease Management and Property Officer will make an on-sight inspection of all offices during the year to check their fiscal inventory with their 1998/1999 preliminary inventory sheet. Description, serial number and tag number will be verified, along with the location. Staff

will again be trained on the importance of submitting documentation when equipment is moved from one location to another.

The two items what were reported missing could not be found during a physical search of the area. These items have been reported lost or stolen.

ANNUAL REPORTS

Tennessee Code Annotated requires each state agency to submit an annual written report to the Governor concerning the agency's functions, management, and financial transactions of the agency for the preceding fiscal year. The objective of our review of the board's annual report to the Governor was to determine whether the report had been submitted in compliance with the statute.

We interviewed key board personnel to gain an understanding of the board's procedures for the preparation and submission of the annual report to the Governor. The annual report for the year ended June 30, 1998, was not submitted in a timely manner, as discussed in finding 2.

2. The board did not submit its annual report in a timely manner

Finding

The Tennessee Board of Paroles did not prepare and submit its annual report on or before October 1, as required by law. The board had not submitted an annual report for the year ended June 30, 1998, to the Governor as of May 25, 1999, more than seven months after the statutory due date. Section 4-4-114(a)(1), *Tennessee Code Annotated*, states:

The head of each administrative department, established by chapter 3 of this title, and the state treasurer, the secretary of state and the adjutant general, unless otherwise provided in this title, shall annually, on or before October 1, report in writing to the governor concerning the functions, management and financial transactions of such person's department or agency for the preceding fiscal year.

When reports are late, the information reported to the Governor concerning the board's functions, management, and financial transactions during the preceding fiscal year loses its significance and becomes irrelevant in decision-making.

Recommendation

The board should issue an annual report by October 1 of each year as required by state statute.

Management's Comment

The 1998 annual report has been received and distributed. The 1999 annual report due October 1, 1999 is in the process of being prepared.

FEE ASSESSMENT AND COLLECTION

The objective of our review of the procedures and controls over parole fee assessment and collection at the Tennessee Board of Paroles was to determine whether the parole program has adequate controls in place to ensure the collection of fees mandated under section 40-28-201, *Tennessee Code Annotated*.

We interviewed key board personnel to gain an understanding of the board's procedures and controls over parole fee assessment and collection. We obtained and reviewed applicable sections of the *Tennessee Code Annotated*, and the Board of Paroles' *Policies and Procedures Manual*. Testwork was performed on a sample of parole fee assessments and collections to ensure that fee exemptions were documented and that supervisory and Criminal Injury Compensation Fund fees were collected in a timely manner or that staff took appropriate action to address the parolee's arrearage. We had no findings related to parole fee assessment and collection; however, other minor weaknesses came to our attention and were reported to management in a separate letter.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDING

The current audit disclosed that the Tennessee Board of Paroles has corrected a previous audit finding concerning the failure of the board to ensure that all parole fees were properly assessed and collected.

REPEATED AUDIT FINDINGS

The prior audit report also contained findings concerning the board's need to strengthen controls over equipment and the failure of the board to submit its annual report to the Governor

in a timely manner. These findings have not been resolved and are repeated in the applicable sections of this report.

APPENDIX

ALLOTMENT CODE

The Tennessee Board of Paroles is part of the general fund of the State of Tennessee and is responsible for allotment code 316.29.